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This afternoon, I am going to discuss inflation because it's this country's number one problem. The rising cost of food, fuel, housing, and transportation touches everyone--labor, business, consumers and politicians. But, few have volunteered to halt it.

Unions don't want to put a ceiling on earnings. Business doesn't want to put a cap on profits. Politicians are not interested in cutting programs that mean dollars to their districts or states. No one wants to lose his place in line. Yet we are on a treadmill of inflation.

It wasn't too many years ago when a person earning a \$100 a week could live quite comfortably. Today, rent and food can consume what is left from a \$100 a week paycheck after taxes.

Up until now everything that the federal government has attempted to stem inflation has failed. We had wage and price controls in 1971. But, when controls ended, prices took off again. We had the WIN program, and that was a loser.

There was an attempt to slow down the economy to wring out inflation. The result was nine million unemployed Americans.

With all of the disappointments, perhaps the government should do nothing and allow the problem to go on relentlessly.

Underlying inflation comes from higher wages that move up to meet rising prices.

I don't need to tell you how inflation affects our lives. You see the results every day, whether it is at the neighborhood grocery, in a hospital bill, or at the fuel pump.

Remarks by Joan S. Wallace, Assistant Secretary of Administration, before the World Community of Al-Islam in the West, Chicago, Illinois, September 23, 1979

You should understand, too, that inflation is having an unhealthy influence on our economy. Our dollars buy less abroad every day. We have record high interest rates. Investors shy away from new ventures. Businesses postpone modernization. Our factories become less productive because of their age and resulting inefficiency.

In other words, inflation has jeopardized every bit of progress we have made since the bottom of the recession some four years ago.

To stem the tide of inflation, people are looking toward the federal government. And rightly so.

President Carter last fall announced his anti-inflation program with a frank message. He indicated that inflation is so deep, so complex, and his options so limited, that there is no guaranteed success.

There are no easy solutions to inflation. The government doesn't have all the answers. No one does.

But, our economists have a good idea of what doesn't work, and the President has selected approaches with the best chances of success.

First, he has tightened government spending. He is determined to accomplish an anti-inflation plan by example. The federal government is not the only cause of inflation, but it is one cause.

As assistant secretary for administration of the Department of Agriculture, my duties include the personnel practices for more than 80,000 full-time employees and some 40,000 part-time persons working in 12,000 offices around the nation.

I am currently in the midst of meeting President Carter's directive to curtail the number of employees and federal spending in general. I feel that we at the agriculture department have met President Carter's goal and have done so without curtailing a necessary service, such as our food stamp program for needy persons.

So the President, in making the government more efficient, is not eliminating useful programs.

The second part of the President's federal program is controlling personnel costs. During the current year the federal payroll has been reduced.

The third area of federal attack on inflation involves government regulations. President Carter has established a regulatory council to keep track of proposed regulations, to help keep down costs, and to prevent duplication.

A fourth initiative has been use of government regulations to stimulate a healthy dose of competition in our economy.

An example is seen in the President's deregulation of airlines. As a result of deregulation, fares have been generally lower, and competition for passengers is keen.

Finally, the administration is attacking specific inflation problems as they surface.

While the federal government is concentrating on getting its house in order, what about the private sector?

The most nagging problem in the inflation spiral is that of rising prices and related in wage increases. It is all part of the inflation spiral.

President Carter's voluntary pay and price standards aim directly at this vicious circle.

But how do we expect any company, any union, any individual to meet a voluntary standard? What's to stop someone from gaining an advantage by ignoring the standards?

Frankly, there is no guarantee. The controls are not rigid. But public opinion is behind the President's proposals.

And just as important, the President has a wide range of levers to pressure industries that do not cooperate.

First, the government spends a huge amount on purchases from private industry--about \$80 billion a year. Federal agencies have been directed not to sign contracts with companies that have ignored the fight against inflation and exceeded the voluntary standards. If prices rise too fast, for example, the government can put off buying new cars. My office has saved thousands of dollars by switching a contract in the purchase of automobiles.

In an effort to keep costs down, the federal government is delaying new building construction, authorizing less travel, and curtailing the purchase of paint, paper and desks.

Second, in the private sector battle against inflation the federal government is working to make sure that market forces work better. Shortages that drive up prices are being met by direct government action. For instance, if there is shortage of certain foods, the government will allow more imports. The government is opening up regulated industries to more competition. Regulations that raise labor costs are being reviewed. Requests for unjustified regulated rate increases are being denied.

Let's review what is being done to combat inflation:

- o There are federal pay restraints.
- o There are restraints on the cost of government regulations.
- o There is action to create more competition in the free market.
- o A 7 percent pay standard, and a price standard of one-half percent below the last two years average has been set.
- o There is an array of tough administrative actions to ensure cooperation.

The President is determined to slow down the inflation spiral without sacrificing people. His anti-inflation program is not being accomplished by having people lose their jobs.

Since the President took office, six million new jobs have been added to the economy, and the unemployment rate has been reduced.

The President has said that his administration will not demand uneven or unfair sacrifices from those who have given up so much already to inflation--people on fixed incomes, the elderly, workers earning close to the minimum wage.

He is determined not to muscle small business and unorganized workers, while letting the big operators set their own prices.

I want to discuss several other areas in which the administration has addressed the concerns of the underprivileged.

The food stamp program, for instance, is now reaching 18 million people--more than it has ever served. The reason the agriculture department's food stamp program, has been termed as one of the most "successful of the federal poverty programs," is because of a major reform the administration proposed in the Food Stamp Act.

The most important provision of the reform was the elimination of the requirement that households purchase their food stamps. For years it had been acknowledged that only about 50 percent of the people eligible for the program participated in it.

The most important reason that people did not participate was because many of the poorest households simply could not afford to buy stamps.

The reform made stamps available to households without charge. A household that had to put up \$60 in cash to get \$100 worth of stamps now simply receives \$40 worth of food stamps outright.

Inflation has caused problems with the food stamp program. In adopting the reform bill Congress put a cap on the amount that could be spent.

This year the program almost ran out of food stamp funds. The department was faced with the prospect of having to tell over 18 million of the poorest Americans that they would be without food assistance because food costs had outstripped available funds.

However, Congress gave the agriculture department additional funds needed to avoid closing the program down, yet it is anticipated that the program funding will meet opposition again next year. Old attacks on food stamps will be revived.

The most popular myth about food stamps is that recipients aren't really needy. According to critics, the program is rife with students, strikers, persons too lazy to work, and welfare queens who drive big automobiles.

But the reality is that the majority of households in programs have gross incomes of under \$3,000.

Over two-thirds of recipients in the program are elderly, disabled, persons responsible for caring for children or incapacitated adults. Strikers constitute well under 1 percent of the case load. And they must meet strict income and asset tests, and work requirements.

Less than 2 percent are students, and they come from poor families and must also meet strict work requirements.

Among other areas of concern given attention by the administration are the offices of small and disadvantaged business utilization that were created by Public Law 95-907.

This law made it national policy for the government agencies to share its purchases with small business in general, and to improve conditions of socially and economically disadvantaged groups.

At the Department of Agriculture, an office of small and disadvantaged business utilization has been organized to assist minority businesses to share in the procurement programs of the agency.

The federal effort is now being marshalled under a reorganized agency of the Department of Commerce called the minority business development agency.

To the credit of the World Community of Al-Islam in the West, the largest federal contract--\$22 million--under the minority business program has been awarded to the American Pouch Food Company to provide packaged foods for the Department of Defense.

The success or failure of this enterprise is dependent upon all our efforts to control inflation.

But President Carter, his cabinet, and Congress cannot defeat inflation alone. It is up to everyone to join the battle by spending wisely and conserving our nation's resources.

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